



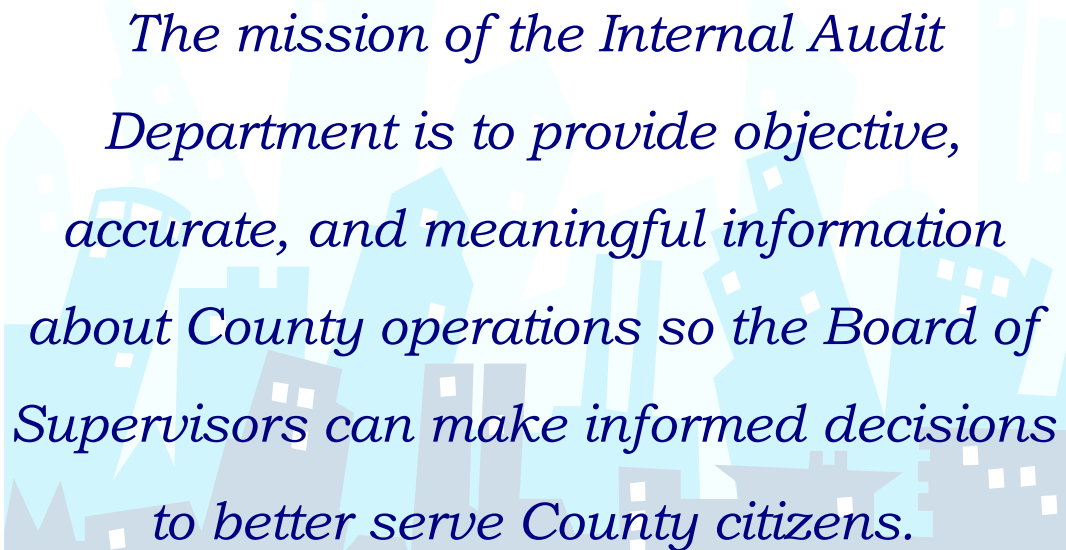
Internal Audit Department

County Auditor's Annual Report
November 2001



Cover Photo
Maricopa County
Administration Building

Mission Statement

A stylized, light blue and grey city skyline with various building shapes and windows, serving as a background for the mission statement text.

The mission of the Internal Audit Department is to provide objective, accurate, and meaningful information about County operations so the Board of Supervisors can make informed decisions to better serve County citizens.

To:

Janice K. Brewer, Chairman, District IV
Fulton Brock, Supervisor, District I
Don Stapley, Supervisor, District II
Andrew Kunasek, Supervisor, District III
Mary Rose Wilcox, Supervisor, District V

From:

Ross L. Tate,
County Auditor
November 14, 2001

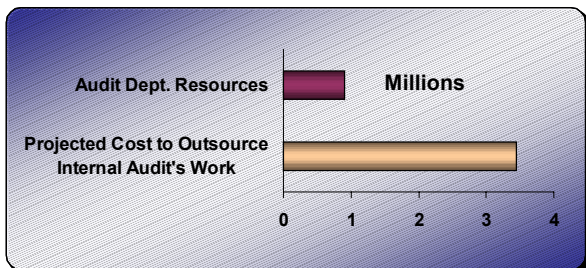
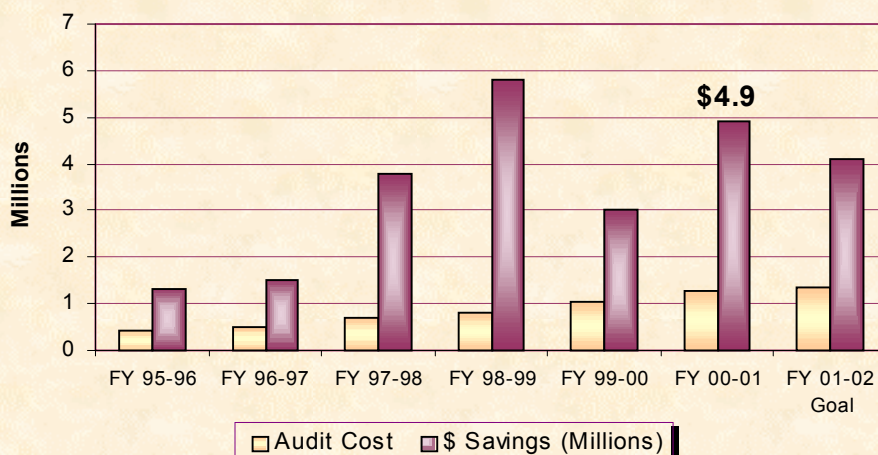
Executive Summary

Maricopa County's Internal Audit Department Adds Value to County Operations

During Fiscal
Year 2001,
Internal Audit
saved the County
\$4.9 million, 3
times more than
the department's
cost!

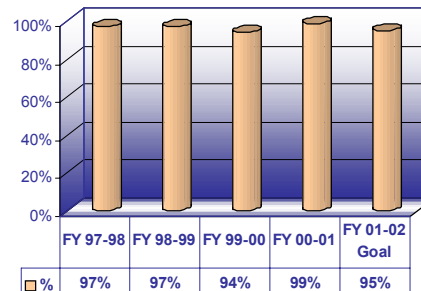
(See Page 8)

Internal Audit Consistently Saves the County More Dollars Than it Costs



Outsourcing the County's FY01 Annual
Audit Plan would have cost the County
an additional **\$2,500,000** (See Page 13)

Management agreed with 99%
of our FY01 recommendations



Internal Audit Won a Prestigious National Award!



We won the 2000 Special Project Award for our Cash Handling Workshop

Presented by the
National
Association of
Local Government
Auditors



The workshop featured County Management and Elected Officials demonstrating how to properly handle cash



And 2 NACO Awards!



Maricopa
County's

Financial
Condition
Report



"Got Controls"
Management
Bulletins



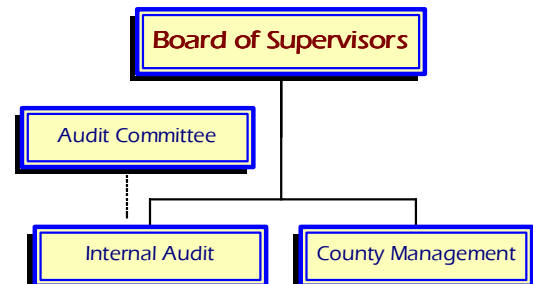
High Customer Satisfaction!

"The team was thorough, polite, and courteous. ... they gave me ample time to go through the paperwork for an explanation."

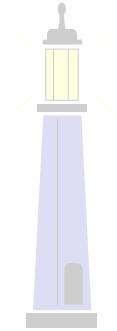
"I feel this training will follow me throughout my career.
Great workshop!"



Organizational Independence



Internal Audit reports directly to the Board of Supervisors, increasing objectivity.



Vision Statement

*Internal Audit's vision is to
facilitate positive change throughout County operations
while ensuring that public resources are used
for their intended purpose.*

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Team Photos

Internal Audit reports directly to the Board of Supervisors, with an advisory reporting relationship to an independent audit committee.
Our audit staff is organized by function into four audit teams.



MANAGEMENT SERVICES TEAM

Eve Murillo, Audit Manager

Richard Chard, Senior Auditor

John Schulz, Senior Auditor

Kimmie Wong, Associate Auditor

FINANCE AUDIT SERVICES TEAM

Joe Seratte, Audit Manager

Patra Carroll, Associate Auditor

Lisa Iampaglia, Staff Auditor

Tom Fraser, Associate Auditor





PERFORMANCE AUDIT TEAM

Christina Black, Associate Auditor

Susan Huntley, Associate Auditor

George Miller, Audit Manager

**Cathleen Galassi, Senior Auditor
(not pictured)**

INFORMATION TECHNOLOGY TEAM

Sandy Chockey, Audit Manager

Susan Adams, Senior Auditor



OFFICE MANAGER

Joan Simpson (not pictured)

COUNTY AUDITOR

Ross L. Tate

National Awards Received

Audit Association 2000 Award



Chairman Jan Brewer & members of the Internal Audit Department



In June 2001, the association presented us with its
Special Project Award
 for our **Cash Handling Workshop** for County Employees.



Cash Handling Workshop

Our workshop earned the Special Project Award distinction for innovation, far-reaching impact, and forward-thinking perspective.

The workshop featured an original and entertaining video starring top-level County management and elected officials demonstrating the right and wrong way to handle cash.



11 workshops presented to 189 employees from 36 departments.

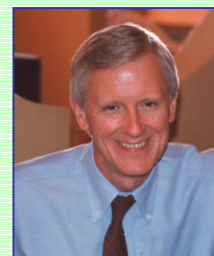


Participants identified 169 ways to improve controls over cash.

The workshop's popularity and effectiveness led to requests for additional workshops.






**Video Starring
 County
 management....**



Additional Workshops & Classes

In FY 2001, we conducted 5 Contract Management training sessions:

-  94 employees representing 34 departments attended.
-  To date, 18 departments implemented 20 new or enhanced controls to improve contract management.
-  One participant saved the County \$2,415 as a result of taking the class.

2001 Awards National Association of Counties

Internal Audit received two NACO Awards for our
County Financial Condition Report and
“Got Controls” Management Bulletin.



The annual NACO Achievement Award Program recognizes innovative government programs.



Financial Condition Report

We annually assess and report on Maricopa County's financial condition in a highly visual, user-friendly, annual Financial Condition Report. This report displays key financial ten-year trends and compares Maricopa's trends to 10 western US counties' trend averages.

The Financial Condition report analyzes key financial indicators such as liquidity, revenues per capita, unreserved fund balance, and long-term debt. The report focuses on General Fund analysis, but also features other areas, such as the County's Integrated Health System.



The Maricopa County Financial Condition Report presents users with a clear financial view of the County that is not readily available by using traditional financial statements and budget reports.

Our Financial Condition Report is listed @ www.maricopa.gov/internal_audit.



National Awards (continued)



"Got Controls" Management Bulletins

We created a one-page bulletin entitled, "Got Controls?" to communicate important control issues to County executives, managers, and employees.



This digest features common internal control issues useful to a wide audience of County managers and their employees:



Payroll check distribution



Password protection



Electronic mgt. of medical records



Contract monitoring



Software licensing



Cash handling

The bulletin is popular with County employees and has generated many follow-up questions.

Our control bulletin facilitates the new government auditor role of **educator** and **consultant**, in addition to fiscal watchdog.

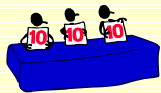
Our Got Controls Management Bulletins can be viewed @ www.maricopa.gov/internal_audit.






Helping County Depts & Employees

Internal Audit helps departments & their employees through:

- ✓ Got Controls Management Bulletins
- ✓ Workshops
 - Cash Handling
 - Contract Monitoring class
- ✓ Single Audit & Other Classes.












Activities are Well Received

-  Many departments have posted our Got Controls Bulletins at their workplace
-  Cash Handling Class
 - 100% said the class was beneficial.
-  Contract Monitoring Class
 - 100% believe that the class helped performance.

Helping Other Local Governments

Internal Audit members:

-  Received a site-visit tour from Salt Lake County Auditor.
-  Shared ideas with Salt Lake County's Internal Audit Division.
-  Led a City of Phoenix class on how to use automated audit tools.
-  Shared workshop information and materials with ADOT, Salt Lake County, City of Glendale, City of Mesa, City of Phoenix, City of Scottsdale, and City of Tempe.
-  Taught various County classes as Adjunct Faculty members.
-  Actively participated and held officer positions in the Arizona Local Government Auditor's Association and Information Systems Audit and Control Association.
-  Actively participated on the National Association of Local Government Auditor's Marketing Committee.
-  Participated on a national KPMG panel.
-  Appointed Division Governor for Toastmasters.





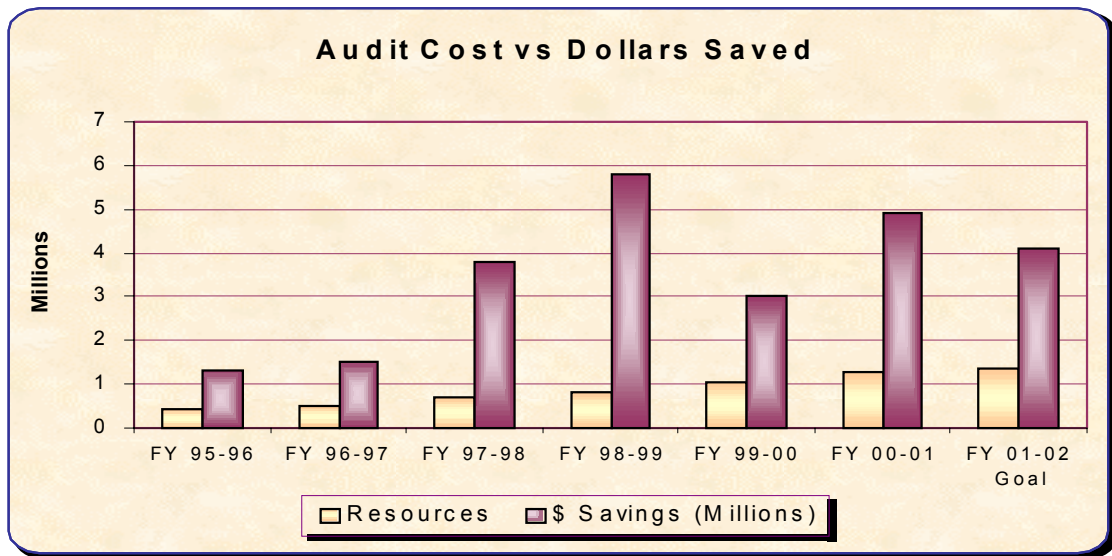
Definition of Internal Auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. Internal auditing helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Performance Data: Outcomes

Internal Audit Saved the County Millions of \$\$\$\$s

Internal Audit's economic impact continues to exceed its cost by a large margin, as shown below. A well run internal audit function is an investment that benefits County management and citizens.



Recent dollar savings were exceptionally high due to Health System findings and the recovery for overpaid vehicle license tax from cities.

Internal Audit Saved County \$\$\$\$s	
<u>Fiscal Year</u>	<u>\$ Savings to the County</u>
2001	\$ 4,978,071
2000	\$ 3,013,834
1999	\$ 5,842,222
Total Economic Impact:	\$ 13,834,127

Audit Saved \$4.9 Million in FY 2001 . . . Where Did That Come From?

Although improved internal controls do not usually result in measurable cost savings, our office makes a concerted effort to quantify economic impact.

Economic impact can be defined as cost avoidance and hard-dollar savings. **Cost avoidance** includes dollars that will not be spent in the future due to an improved process or new control (example: improved cash controls that reduce the County's future interest expense). **Hard-dollar savings** are funds that can be reimbursed or recovered (e.g., an overpayment to a vendor or other jurisdiction).

The table below shows audit projects that resulted in cost avoidance, savings, recoveries, or other economic impact.

AUDIT AREAS WITH DOLLAR RECOVERY AND COST AVOIDANCE		
Audit Area	FY 01 \$ Impact	Description
Vehicle License Tax	\$2,707,200	On-going Recovery from tax overpayment to cities.
Sheriff	\$1,400,000	Recovery of jail per diem charges from City of Phoenix.
MIHS – Nursing Homes	\$508,459	Dollars recouped for nursing home overpayments.
Superior Court	\$219,600	Estimated average donation rate of net jury expenses back into general fund. Estimated postage savings for reduced number of jury warrants mailed.
Parks & Recreation	\$140,197	Unbilled / unrecovered water bill expenses from non-profit groups and unbilled / unrecovered Lake Pleasant on-water expenses from Bureau of Reclamation.
Control Self-Assessment	\$2,415	Billing invoice deduction as a result of the workshop.
Constables	\$200	Petty cash fund reduction.
Total Economic Impact	\$ 4,978,071	

How Many Additional Dollars Did Audit Potentially Save the County?

The items below represent potential recoveries, as opposed to hard dollar recoveries and cost avoidance, shown on the previous page.

ADDITIONAL AREAS WITH <u>POTENTIAL</u> RECOVERY AND COST AVOIDANCE		
Audit Area	FY 01 \$ Impact	Description
Superior Court	\$955,000	Save on transcript expense; transfer monies from Jury Clearing Fund to the General Fund; increase revenue for billing cities for summons.
Sheriff – Special Request	\$450,000	77 leased cars were turned back in to vendor.
Human Services	\$234,965	Overcharges may have occurred in the Worklinks transportation program.
Parks & Recreation	\$538,000	Void an outdated IGA with Yavapai County; begin charging for law enforcement services at Lake Pleasant Park, which previously were provided free of charge for the City of Peoria.
MIHS Family Health Centers	\$290,457	Reduce potential penalties by providing Advance Beneficiary Notices; decrease failed billings; reduce unbilled services.
Computer Virus Detection	\$150,000	Identified areas needing improvement.
Internet Network Security	\$80,000	Identified 200 mostly high-risk vulnerabilities.
MCDOT	\$34,872	Identified questioned costs.
Public Health	\$8,000	Avoidance of lost interest from untimely grant reimbursements.
Animal Care & Control	\$5,000	Eliminate purchasing drugs and supplies not likely to be used.
Constables	\$4,680	Identified personal calls made on cellular phones that could lead to reimbursements and a change in billing plan minutes and rates.
Total Economic Impact	\$2,750,974	

What Did Our Customers Say About Us in FY 2001?



“Overall, excellent job!”



“All staff involved in the audit felt that the Internal Audit staff was courteous and helpful throughout the process.”

“The team was thorough, very polite and courteous. When I was questioned about something, they gave me ample time to go through the paperwork for an explanation.”



“I feel this training will follow me throughout my career. Great workshop!”

“... I walked away from this training with a new and useful knowledge.”



“The instructor used examples of audit findings, which makes the material more 'real' and 'applicable'.”

“This training is an invaluable & necessary tool, which should be a requirement for all employees.

Proper training in this area will lead to incalculable savings. Every presenter did an outstanding job! Thank you very much!”

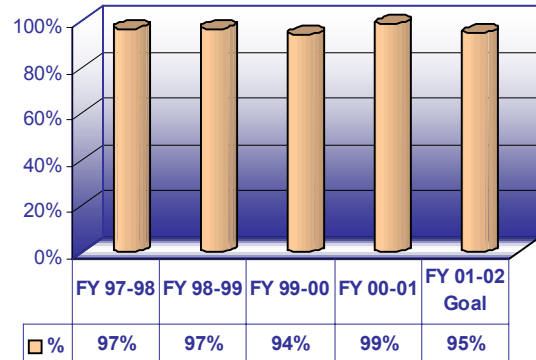
Note: Quotes taken from customer surveys regarding audits and educational classes.

Management Implements Audit Recommendations

Internal Audit follows up on all audit recommendations. Detailed information on FY 2000-2001 projects is provided in Appendix E, page 30.

Management agreed with 99% of our audit findings & recommendations for FY 2001.

Recommendations Accepted

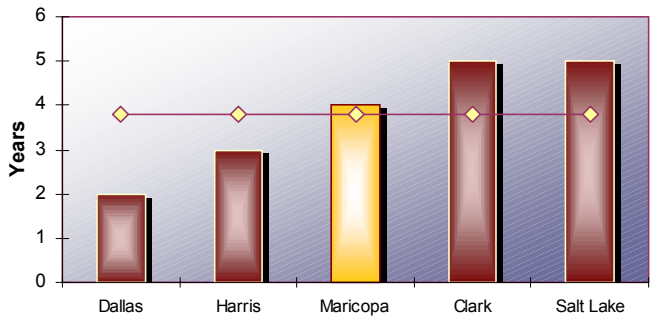


Our Audit Interval

The audit interval is the number of years between audits of an organization's activities. We believe that Maricopa's average audit interval should be no higher than four years. High-risk functions should be audited every three years, other areas at least every five years.

Due to increased resources and a focus on high risk areas within each department, we brought our average audit interval down to four years.

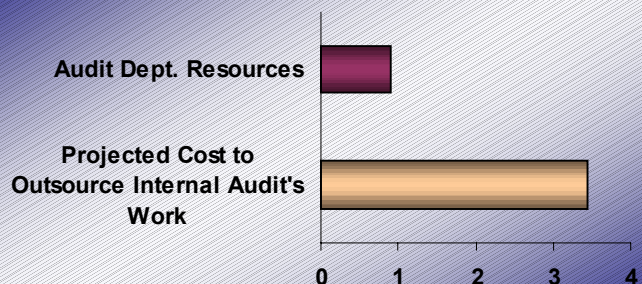
**Benchmark Comparison:
Average # of Years Between Audits**



Our Cost vs Outsourcing

If FY 2001 audit work had been outsourced, consultants would have cost the County three times as much.

FY01 Compare Cost (Millions)



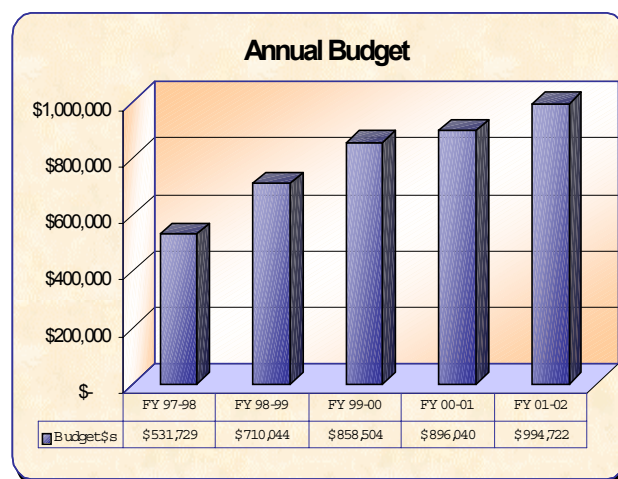
Performance Data: Inputs

Budget

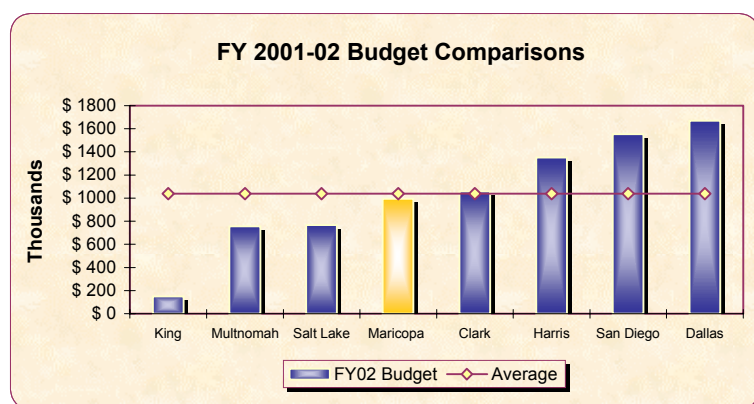
Each year the Board of Supervisors allocates internal audit resources (inputs): annual budget allocation, consulting dollars, and full-time staff.

Internal Audit strives to save budget dollars and, over the past five years, has completed its annual audit plan (all approved audit work) within budgetary constraints.

Since 1996, funding has allowed Internal Audit to use outside contractors when specialized expertise is needed. We received \$375,000 for co-sourcing.

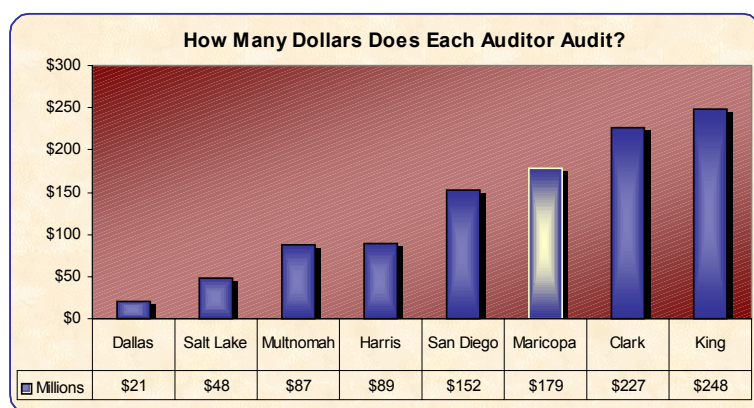


Benchmark Comparison: Budget



The County's internal audit cost remains low among benchmark counties.

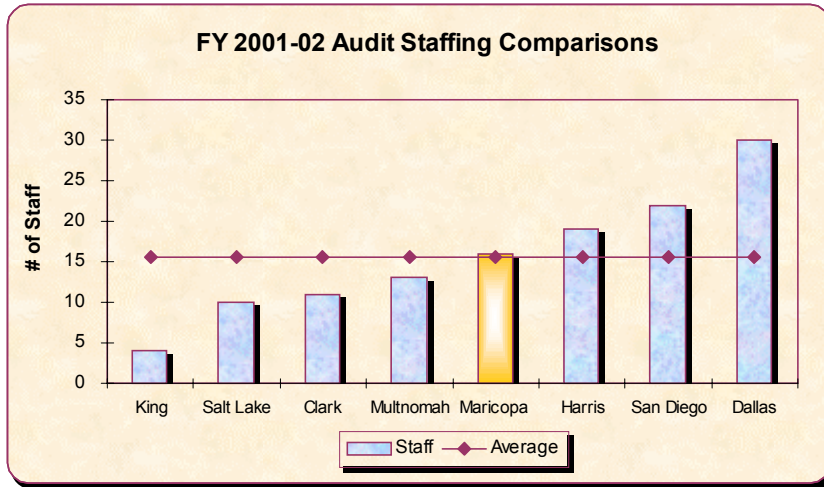
Benchmark Comparison: \$'s Each Auditor Audits



Maricopa County auditors audit more dollars than our sister counties.

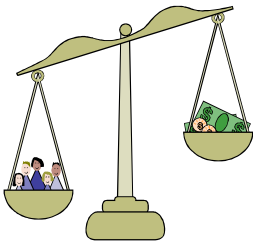
Benchmark Comparison: Staff Size

Funding level directly impacts an audit department's level of service. Regardless of resources available, Internal Audit will continue to provide excellent, professional service to the Board of Supervisors, Elected and County officials, and County taxpayers.

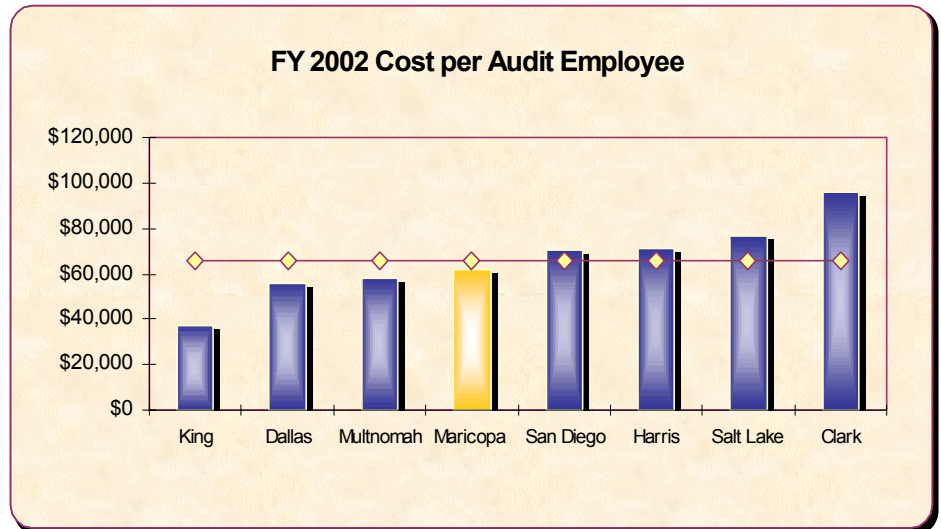


Staff size is average compared to benchmark counties.

Benchmark Comparison: Cost Per Audit Employee



We cost less per employee than the average of our sister counties.



Performance Data: Outputs

Reports Issued

■ FY 2001 Audit Plan Reports (Details in Appendix E, page 30.)

Accounts Receivable	Legal Defender
Adult Probation – Accounting Review	Library District
Animal Control – Special Request	Maryvale Justice Ct –Special Request
Computer Virus Detection Controls	MCDOT Consultant Contracts
Constables	MIHS Clinics / Family Health Centers
Contract: Fire Extinguisher	MIHS IRG Incentives-Special Request
Contract: Mail Services	MIHS Maricopa Health Plan AHCCCS
CSA – Contract Management Classes	Parks & Recreation
Elected Official Exit Review	Public Defender
Emergency Management	Public Health
Financial Condition Report FY 2000	Random Cash
Human Services	Sheriff
Internet Network Security	Sheriff – Special Request
Justice Courts – Accounting Review	Single Audit
Justice Facilities Jail Tax	Superior Court

■ Special Projects and Reports

Animal Control Special Request	Maryvale Justice Court Request
Annual Follow-Up Report	MCDOT Construction Contracts
County Auditor Annual Report	Sheriff Leases Request

■ Additional Projects

- ✓ Continuous Monitoring
- ✓ E-Procurement
- ✓ ICJIS (Integration of County Justice Integration System)
- ✓ Single Audit Act Reviews

Performance Data Table

Performance Data	FY 98-99	FY 99-00	FY 00-01	FY 01-02
Inputs				
Annual Budget	\$ 710,044	\$ 858,504	\$ 896,040	\$994,722
Co-Sourcing Funds	\$ 120,311	\$ 174,099	\$ 371,000	\$375,000
Staffing (FTE's)	12.5	15.0	15.5	16.0
Outputs				(Goal)
Audit Plan Reports Issued	24	16	24	34
Special Projects Completed	7	12	6	6
Single Audit Reviews	32	38	39	40
Outcomes				(Goal)
Economic Impact	\$5.8M	\$3.0M	\$4.9M	\$4.1M
Customer Satisfaction	87%	87%	89%	85%
Rec's Accepted	97%	94%	99%	95%
Rec's Implemented	34%	39%	47%	55%
Rec's In Process	63%	55%	52%	40%
Audit Interval (Years)	5-7	4-6	3-5	3-5
Efficiency				(Goal)
Audit to Admin Hours	78%	77%	79%	75%
Economic Impact to Cost Ratio	7:1	3:1	4:1	3:1

Department Profile

Definition Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. Internal auditing helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Mission The mission of the Internal Audit Department is to provide objective, accurate, and meaningful information about County operations so the Board of Supervisors can make informed decisions to better serve County citizens.

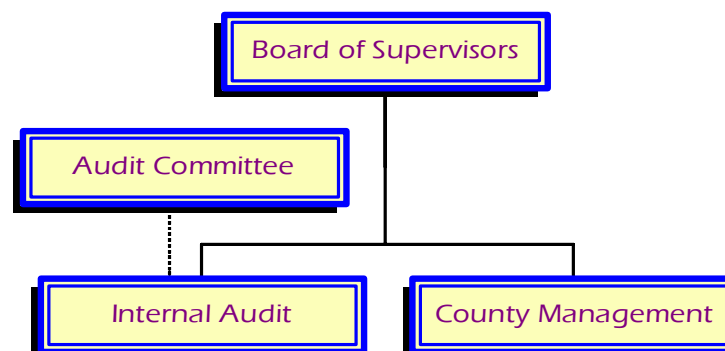
Vision To facilitate positive change throughout County operations while ensuring that public resources are used for their intended purpose.

History The Board of Supervisors appointed the first County Auditor in 1978 and established an internal audit function. In 1994, the Board of Supervisors created a Citizen's Audit Advisory Committee comprised of private citizens and County officials. (See Appendix C, page 27 for charter.) In 1997, the Board of Supervisors formalized the County's internal audit function by adopting a department charter. (See Appendix B, page 25 for charter.)

Citizen's Audit Advisory Committee (Audit Committee) The Board Appointed Citizens' Audit Advisory Committee supports further strengthening of the County's Internal Audit Department. This committee, comprised of accounting and business professionals, actively engages in analyzing risk throughout the County and making recommendations. This committee is an important link between the Board of Supervisors and the County's auditors, both internal and external. The Maricopa County Citizen's Audit Advisory Committee meets regularly to review and comment on audit reports, County financial statements, and other audit information (audit plan, special requests, etc.).

Organization

Reporting Structure of the Internal Audit Department



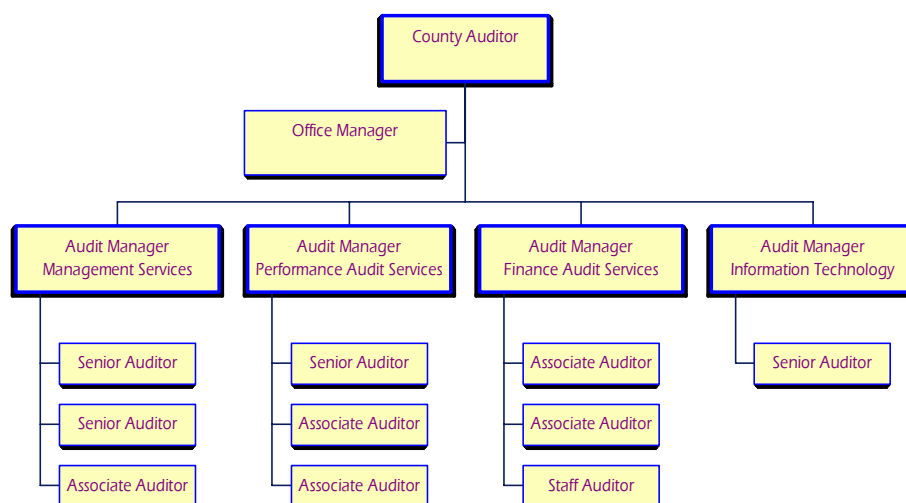
Organizational Independence Auditors should be removed from organizational and political pressures to ensure objectivity. As our charter designates, the Maricopa County Internal Audit Department reports directly to an elected board of supervisors thereby establishing an effective level of independence from management. This reporting structure provides the Board of Supervisors with a direct line of communication to Internal Audit and provides assurance that County officials cannot influence the nature or scope of audit work performed.

Government Auditing Standards support locating internal audit departments' outside the management function in order to encourage independence. Routine meetings with an independent audit committee further enhance independence. The County Auditor also meets with an oversight committee comprised of the County Administrative Officer and two Board members.

Resources A fully staffed and professionally competent internal audit department provides value-added services to the County. Each year Internal Audit analyzes and adapts its resources to meet upcoming County auditing and consulting needs. To provide flexibility, the audit staff has education and experience in three audit areas: finance, performance, and information systems. Each audit is performed by a team that collectively possesses the necessary knowledge and skills to fit the assignment. The County's Health System is large (approximately 1/3 of the County's budget), very complex, and affects many peoples' lives. This high level of risk to the County makes the Health System's activities worthy of increased scrutiny. We began performing health care audits in fiscal year 1997-1998. In fiscal year 1999-2000, we began outsourcing the health system audits due to the highly specialized expertise required.

Government operations are inherently complex; certain functions cannot be properly reviewed without specialized expertise. Hiring a wide variety of staff specialists, however, would not be cost-beneficial. While we have invested in qualified internal staff, we have also reserved resources for specialized contractors; \$371,000 was budgeted for this purpose in FY2000-2001. This partnership (called "co-sourcing") provides the County with the collective expertise required by Government Auditing Standards at an affordable price.

FY 2001 Internal Audit Department Organizational Chart



Risk Assessment Effective internal auditing is based upon systematically reviewing an organization's operations. These reviews should be conducted at intervals commensurate with associated risks. The annual risk-review process results in an audit plan that maximizes audit coverage and minimizes the level of associated risk. Since auditing every County activity on a regular basis would not be practical or cost efficient, professional judgment is used to ensure resources are focused on high-risk areas.

Professional Internal Audit Staff Our auditors have a working knowledge of auditing methods and techniques, government functions, and specialized knowledge in certain fields such as statistics, computers, and accounting principles. In accordance with Government Auditing Standards, each auditor completes a minimum of 80 continuing education hours every two years, 24 directly related to government operations. (See Appendix A, page 21 for individual biographies.)



Who Audits the Auditors? (Peer Review) Internal Audit undergoes routine peer reviews (an audit of Internal Audit) by an independent audit firm. The Maricopa County Citizens' Audit Advisory Committee oversees these reviews. These nationally recognized standards require peer reviews every three years.

Our last review occurred in fiscal year 2000, which showed no findings. A local firm reviewed our policies, procedures, and five sample audits for compliance with national Governmental Auditing Standards.

Appendices



Appendix A: Professional Staff Biographies

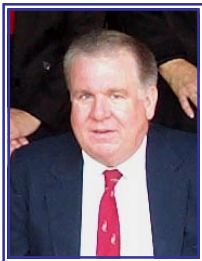


The following individuals were employed by Internal Audit during FY 2000-2001.



Ross L. Tate, County Auditor

Mr. Tate is a Certified Internal Auditor, Certified Management Accountant, and Certified Government Financial Manager. He has a bachelor's degree from Brigham Young University in Business Operations & Systems Analysis and 15 years of professional internal auditing experience. Mr. Tate is an active member of the Institute of Internal Auditor's Phoenix Chapter and of the Arizona Local Government Auditor's Association.



George Miller, Audit Manager – Performance Audit Services

Mr. Miller has 19 years of county government internal auditing experience and is a Certified Government Financial Manager. He has a bachelor's degree in Business Administration from Michigan State University and an MBA Degree from Western Michigan University. He is the 2000 President of the Arizona Local Government Auditor's Association. He is also Vice Chairman of the County's Deferred Compensation Committee.



Sandy M. Chockey, Audit Manager – Information Technology

Mrs. Chockey is a Certified Information Systems Auditor. She has a Business Administration degree and over 18 years of professional information systems auditing experience. Mrs. Chockey has served as past Vice President, Treasurer, and Board Member of the international and local chapters of the Information Systems Audit and Control Association. She is also a member of the Arizona Local Government Auditor's Association.



D. Eve Murillo, Audit Manager – Management Services

Ms. Murillo is a Certified Public Accountant and a Certified Fraud Examiner. She has a bachelor's degree in Liberal Arts from the University of Illinois, a Masters in Business Administration from Florida Institute of Technology, and 12 years of accounting and internal auditing experience. Ms. Murillo is a member of the Arizona Chapter of the Association of Certified Fraud Examiners and the Arizona Local Government Auditor's Association.



Joe M. Seratte, Audit Manager – Finance Audit Services

Mr. Seratte is a Certified Public Accountant, Certified Internal Auditor, and certified in Control Self-Assessment. He holds an Accounting degree from Oklahoma State University and a Master's degree from the American Graduate School of International Management. He has 19 years experience in auditing, finance and accounting and is a member of the American Institute of Certified Public Accountants and the Institute of Internal Auditors.



Richard L. Chard, Senior Auditor

Mr. Chard is a Certified Public Accountant and has a degree in History from the University of Redlands and postgraduate work in accounting and public administration through Arizona State University and Western International University. Before joining Internal Audit four years ago, he worked six years in Maricopa County's Department of Finance and Health Systems Finance. He recently served as a Division Governor for Toastmasters International.



John Schulz, Senior Auditor

Mr. Schulz has 23 years of experience in program evaluation, budgeting and financial administration within healthcare, law enforcement and government. He holds a degree in Government from University of Maryland and a Masters of Public Administration from Arizona State University. He is a member of the Institute of Internal Auditors, Arizona Local Government Auditors Association and the Association of Government Accountants.

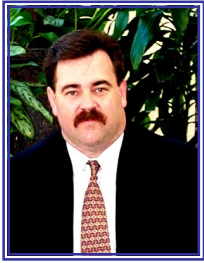
Cathleen L. Galassi – Senior Auditor

Ms. Galassi has a bachelor's degree in Philosophy from Loyola Marymount University, California, and post-graduate work in organizational psychology. She has 15 years of internal audit experience, including audit management at financial institutions, and 10 years of accounting and budgeting at non-profit institutions. Ms. Galassi's experience includes participation on merger and acquisition teams and system conversion projects.



Susan Adams, Senior Auditor – Information Technology

Ms. Adams has a bachelor's degree in Accounting from Utah State University and an MBA from the University of Utah. She has nine years professional experience in accounting and audit with 3 years as an Information Systems auditor. She is a member of the Information Systems Audit and Control Association's Phoenix Chapter and the Arizona Local Government Auditor's Association.



Thomas Fraser, Associate Auditor

Mr. Fraser is a Certified Fraud Examiner who holds degrees in Business Administration and Business Management from the University of Phoenix. He has nine years of accounting and internal audit experience. Mr. Fraser is a member of the Institute of Internal Auditors, the Arizona Chapter of the Association of Certified Fraud Examiners and the Arizona Local Government Auditor's Association, where he serves as Training Chairman.



Susan Huntley, Associate Auditor

Ms. Huntley has a bachelor's degree in Psychology and a Masters in Public Administration from the University of North Florida. Ms. Huntley has 21 years of professional experience which includes quality assurance, auditing, systems implementation and design. Ms. Huntley is a member of the Arizona Local Government Auditor's Association and the National Institute for Government Procurement.



Kimmie Wong, Associate Auditor

Ms. Wong has a bachelor's degree in Business Administrative Services from Arizona State University. She has over 7 years of experience reviewing grant audits and 5 years of professional internal auditing experience. She is working towards a Masters of Public Administration degree. Ms. Wong is a member of the Arizona Local Government Auditor's Association and the Association of Certified Fraud Examiners' Arizona Chapter.



Christina Black, Associate Auditor

Ms. Black has a bachelor's degree in Accounting from Missouri Western State College. She has 5 years of professional internal audit experience and 10 years of accounting and revenue auditing experience in the public sector. Ms. Black is a member of the Institute of Internal Auditor's Phoenix Chapter, Arizona Chapter of the Association of Certified Fraud Examiners and the Arizona Local Government Auditor's Association.



Patra E. Carroll, Associate Auditor

Ms. Carroll is a Certified Public Accountant candidate with over 6 years of financial, performance, compliance, and tax auditing experience within both state and county governmental entities. She has a bachelor's degree in Accounting from Arizona State University and is a member of the Arizona Local Government Auditor's Association, American Society of Public Administrators, and Arizona Chapter of Certified Fraud Examiners.



Lisa Lampaglia, Staff Auditor

Ms. Lampaglia has a bachelor's degree in Accounting from Arizona State University West. She has 4 years of professional experience in accounting and business. Ms. Lampaglia is a member of the Arizona Local Government Auditor's Association.

Joan Simpson, Office Manager

Ms. Simpson has a bachelor's degree in Social Science with a major in Political Science from Milton Keynes University in the United Kingdom. She has 20 years of professional administrative experience in both the private sector and in government. She also has developed her technical skills in the use of software programs to further enhance her productivity within the office.

Internal Audit staff members participate in many professional and public service organizations:



American Institute of CPAs



Institute of Internal Auditors



Arizona Local Gov't Auditors Assoc



Institute of Management Accountants



Arizona Management Society



County's Deferred Compensation Committee



Arizona Society of CPAs



National Assoc of Certified Fraud Examiners



Arizona Society of Public Administrators



National Assoc of Local Gov't Auditors



Association of Gov't Accountants



National Institute for Gov't Procurement



Gov't Finance Officers Association



Toastmasters International



Info Systems Audit and Control Association

Appendix B: Internal Audit Department Charter

Introduction

The Maricopa County Board of Supervisors hereby establishes the Maricopa County Internal Audit Department to provide the Board of Supervisors with an independent assessment of the County's system of internal controls. This assessment will be carried out by Internal Audit through financial, performance, and information system audits and reviews.

County management has primary responsibility for establishing and maintaining a sufficient system of internal controls. Internal Audit evaluates the adequacy of the internal control environment, the operating environment, related accounting, financial, and operational policies, and reports the results accordingly.

Authority

Internal Audit is established by the powers granted to the Board of Supervisors in A.R.S. § 11-251. The Board is authorized to supervise the official conduct of all County officers, to see that such officers faithfully perform their duties and present their books and accounts for inspection (A.R.S. § 11-251.1). The Board is also authorized to perform all other acts and things necessary to fully discharge its duties (A.R.S. § 11-251.30).

Internal Audit shall report directly to the Board of Supervisors, with an advisory reporting relationship to the Board-Appointed Audit Committee. In Addition, the County Auditor shall meet regularly with an oversight committee comprised of the County Administrative Officer and two Board members appointed by the Board Chairman.

While conducting approved audit work, Internal Audit shall have access (except where restricted by legal privilege) to all County facilities, books, records, information, and personnel.

Premise and Objectives

Internal Audit's basic premise is that County resources are to be applied efficiently, economically, and effectively to achieve the purposes for which the resources were furnished. This premise is incorporated in the following four objectives:

A. Compliance with Laws and Regulations

Those entrusted with County resources are responsible for establishing and maintaining effective controls to ensure identification of and compliance with applicable laws and regulations.

B. Effective Program Operations

Those entrusted with County resources are responsible for establishing and maintaining effective controls to ensure that programs meet their goals and objectives.

C. Validity and Reliability of Data

Those entrusted with County resources are responsible for establishing and maintaining effective controls to ensure that valid and reliable data are obtained, maintained, and fairly disclosed.

D. Safeguarding of Resources

Those entrusted with County resources are responsible for establishing and maintaining effective controls to ensure that resources are safeguarded against waste, loss, and misuse.

Independence

Internal Audit shall have no direct responsibility for, or authority over, any of the activities, functions, or tasks reviewed by the department. Accordingly, Internal Audit does not develop or write policies or procedures that they may later be called upon to evaluate. They may review draft materials, developed by management, for propriety and/or completeness. However, ownership of, and responsibility for these materials remains with management, not Internal Audit.

Audit Standards and Ethics

All audit work shall meet the professional standards and codes of ethics promulgated by the Institute of Internal Auditors, the Information Systems Audit and Control Association, and the Comptroller General of the United States (Government Auditing Standards). Each member of the department is expected to consistently demonstrate high standards of conduct and ethics as well as appropriate judgment, independence, and discretion. Members shall maintain a professional image and protect auditee confidences and confidential information.

Audit Planning

The County Auditor shall prepare an annual audit plan for review by the Board-Appointed Audit Committee and approval by the Board of Supervisors. The selected audit areas will be the result of a formal risk assessment process. Any additions, deletions, or deferrals to the approved audit plan must be approved by the Board of Supervisors.

Follow-Up

Internal Audit will perform follow-up procedures on the findings of each report issued by the department. Such procedures will be formally documented and shall occur at least on a quarterly basis.

Adopted by the Board of Supervisors – 6/11/97

Appendix C: Maricopa County Citizen's Audit Advisory Committee Charter



The committee's primary function is to assist the board of supervisors in fulfilling its oversight responsibilities. The committee accomplishes this function by reviewing the county's financial information, the established systems of internal controls, and the audit process.

In meeting its responsibilities, the committee shall perform the duties outlined below.

1. Provide an open avenue of communication between the county auditor, the auditor general, and the board of supervisors.
2. Review the committee's charter annually and seek board approval on any recommended changes.
3. Inquire of management, the county auditor, and the auditor general about significant risks or exposures and assess the steps management has taken to minimize such risks to the county.
4. Consider and review the audit scope and plan of the county auditor and the auditor general.
5. Review with the county auditor and the auditor general the coordination of audit efforts to assure completeness of coverage, reduction of redundant efforts, and the effective use of all audit resources including external auditors and consulting activities.
6. Consider and review with the county auditor and the auditor general:
 - a. The adequacy of the county's internal controls including computerized information system controls and security.
 - b. Any related significant findings and recommendations of the auditor general and the county auditor together with management's responses thereto.
7. At the completion of the auditor general's annual examination, the committee shall review the following:
 - a. The county's annual financial statements and related footnotes.
 - b. The auditor general's audit of the financial statements and report thereon.
 - c. Any significant changes required in the auditor general's audit plan.
 - d. Any serious difficulties or disputes encountered during the audit
 - e. Other matters related to the conduct of the audit that are to be communicated to the committee under generally accepted auditing standards.

8. Consider and review with management and the county auditor:
 - a. Significant audit findings during the year and management's responses thereto.
 - b. Any difficulties encountered during their audits, including any restrictions on the scope of their work or access to required information.
 - c. Any changes required in the planned scope of their audit plan.
 - d. The internal audit department's budget and staffing.
 - e. The internal audit department's charter.
 - f. The internal audit department's overall performance and its compliance with accepted standards for the professional practice of internal auditing.
9. Report committee actions to the board of supervisors with such recommendations as the committee may deem appropriate.
10. Prepare a letter for inclusion in the annual report that describes the committee's composition and responsibilities, and how they were discharged.
11. The committee shall meet at least four times per year or more frequently as circumstances require. The committee may ask members of management or others to attend the meetings and provide pertinent information as necessary. Committee meetings are subject to the Open Meeting Law (A.R.S. § 38-431).
12. The committee shall perform such other functions as assigned by the board of supervisors.

Committee Composition and Terms

The membership of the committee shall consist of five voting members and three non-voting members. The voting members shall be board of supervisor appointees from the public and shall serve two-year terms. The non-voting members shall be the county's chief administrative officer or deputy chief, the chief financial officer, the county attorney or designee. The chairman of the board of supervisors shall appoint a committee chairman from the voting members. The committee chairman shall serve a one-year term.

Member Qualifications

Committee members must have an understanding of financial reporting, accounting, or auditing. This understanding can be demonstrated through educational degrees (BS, MBA, Ph.D.) and professional certifications (CPA, CMA, CIA), or through experience in managing an organization of more than 25 employees or \$20M in revenues. Committee members should be familiar with local government operations and should have sufficient time to effectively perform the duties listed herein.

Adopted by the Board of Supervisors – 3/26/97
Last Amended – 1/19/00



Appendix D: Single Audit Reviews

As mandated by OMB Circular A-133, we reviewed the following subrecipient audit reports:

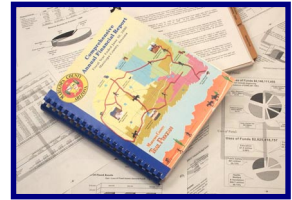
- Pass Through Agency - Maricopa County Department of Community Development
City of Avondale, City of Chandler, City of El Mirage, City of Glendale, City of Goodyear, City of Mesa, City of Peoria, City of Scottsdale, City of Surprise, City of Tempe, City of Tolleson, Community Services of Arizona, Foundation for Senior Living, Homeward Bound, Housing for Mesa, Town of Buckeye, Town of Gila Bend, Town of Gilbert, Town of Guadalupe, and Town of Queen Creek.
- Pass Through Agency - Maricopa County Department of Human Services
American Red Cross, AZ Women's Education and Employment, Catholic Social Services, City of Avondale, City of El Mirage, City of Glendale, City of Tolleson, Community Services of Arizona, Foundation for Senior Living, Maricopa County Community College District, New Life Center, Prehab of AZ, Rapport, Regional Public Transportation Authority, Save the Family, Southwest Human Development, Tempe Community Action Agency, Town of Gila Bend, and Town of Guadalupe.
- Pass Through Agency - Maricopa County Department of Public Health
Advocates for the Disabled, Aids Project Arizona, Area Agency on Aging, Catholic Social Services, Chicanos Por La Causa, Clinic Adelante, Concilio Latino de Salud, Hemophilia Association, Jewish Family & Children's Services, Mountain Park Health Center, Native American Community Health Center, and Phoenix Body Positive.
- Pass Through Agency - Maricopa County Department of Environmental Services
Regional Public Transportation Authority
- Pass Through Agency - Maricopa County Juvenile Probation
City of Phoenix
- Pass Through Agency - Maricopa County Sheriff's Office
City of Tolleson
- Pass Through Agency - Maricopa Integrated Health System
Area Agency on Aging

Appendix E: Project Summaries

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Accounts Receivable

September 2001



The objective of this limited scope engagement was to establish an overview of the County's Accounts Receivable, as well as, identify risks associated with each component of the County's June 30th receivable balance. We used the County's fiscal year (FY) 2000 Consolidated Annual Financial Report (CAFR) as the basis for our review.

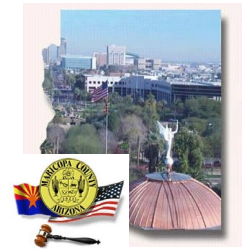
Summary Data	
Recommendations / #Accepted	0/0
Recommendations Implemented (As of 8/01)	N/A
Economic Impact	\$0
Cost of Audit	\$17,442
Other Improvements	Researched & identified level of risk in County's \$200 million asset. Laid groundwork for future audit planning and scheduling.

Significant Issues:

Our examination of receivable balances contained in the June 30, 2000 Consolidated Annual Financial Report (CAFR) shows that the receivables are low risk. The receivable balances represent revenues not received as of year-end. The CAFR balances are conservatively presented and their collectibility is reasonably assured.

Adult Probation - Accounting Review

February 2001



The Minimum Accounting Standards (MAS) review is an agreed-upon procedures engagement in which an independent accountant performs standard audit procedures set forth by the Administrative Office of the Arizona Supreme Court (AOC). MAS reviews are performed on a three-year cycle. The purpose of the MAS review is to ensure that Maricopa County courts have maintained effective internal control procedures over the court's financial accounting and reporting systems.

The Arizona State Office of the Auditor General informed the courts in 1998 that its office would no longer be responsible for performing MAS reviews at the County level. The function was transferred to the Maricopa County Internal Audit Department beginning in FY 1998-99.

Summary Data	
Recommendations / #Accepted	19/ N/A
Recommendations Implemented (As of 8/01)	N/A
Economic Impact	N/A
Cost of Audit	\$13,197
Other Improvements	Identified several serious control weaknesses in a process that handles \$12 - \$14 million dollars in cash equivalents each year.

Significant Issues:

1. Cash receipts are not reconciled. Daily receipts are simply counted, listed, and deposited. Physical security over cash receipts is inadequate. Manual receipts are not effectively accounted for.
2. The Intensive Probation account, with approximately \$1 million per month in deposits, has not been reconciled since August 1999. Duties are not adequately segregated for the three minor bank accounts. Signature cards are not current for three of five bank accounts. The Intensive Probation account lists 33 checks outstanding that are greater than six months old. The oldest is 18 months. Some checks for the minor Volunteer's Service Account were signed with the amount noted as "TBD" (to be determined).
3. The Adult Probation Department has not established procedures for unclaimed monies or disbursement procedures for the Work Furlough and three minor accounts.

Animal Control – Special Request

November 2000



Management requested a limited scope review within the County's Animal Control Services (ACS). We found several significant control weaknesses. We encountered potential legal questions and directed these to the County Attorney's Office, which initiated its own investigation.

Summary Data	
Recommendations / #Accepted	10
Recommendations Implemented (As of 8/01)	N/A
Economic Impact	\$5,000
Cost of Audit	\$5,777
Other Improvements	<ul style="list-style-type: none"> ➤ Established controls over an area where control weaknesses are likely to result in activities that draw adverse publicity. ➤ Strengthened controls over drug purchasing and security. ➤ Strengthened controls over the animal tracking system and interfaces with highly visible adoption groups. ➤ Reinforced public employees' fiduciary responsibility guidelines. Specifically, employee rules and procedures regarding misuse of County assets and properly documenting potential conflicts of interest.

Significant Issues:

1. Lack of controls over the use of an ACS staff veterinarian's license to purchase veterinary drugs by ACS employees. The license was apparently used by other employees to purchase pharmaceuticals that were unlikely to be used at ACS and may have been purchased for non-County purposes. The lack of controls increases the risk of inappropriate or fraudulent drug purchases.
2. ACS' internal controls over drug purchases, requisitions, and storage are not adequate. This control weakness increases the risk of poor purchasing decisions, shrinkage, and fraud, including diverting drugs for unauthorized sale or personal use.
3. Security over the ACS animal tracking system allows nearly all ACS staff members to change important record information about status, intake date, outcome, and memo explanations. Controls over the removal of animals, by outside parties, are weak.

Computer Virus Detection Controls

January 2001



Computer viruses are increasing at an unprecedented rate. Computer viruses spread by attaching themselves to another program (e.g., word processing, spreadsheet, etc.) or to the boot sector of a diskette. When an infected file is executed, or the computer is started from an infected disk, the virus itself is executed. The virus often stays in memory, waiting to infect the next program that is run or the next disk that is accessed. Many viruses perform “trigger events”. While some trigger events are sometimes benign, others can be very costly and cause significant damage. For this reason our office has initiated a review of the County’s anti-virus readiness.

Summary Data	
Recommendations / #Accepted	14/14
Recommendations Implemented (As of 8/01)	10
Economic Impact	\$150,000
Cost of Audit (IS: \$12,031 internal + 13,600 external)	\$25,631
Other Improvements	<ul style="list-style-type: none"> ➤ A County Virus Detection Controls policy will help to prevent viruses from spreading throughout the County. Recovery costs may range from \$2,500 to \$150,000. ➤ Adequate virus detection controls can protect departments from damages and downtime as well as ensure they aren’t spreading viruses throughout the County. ➤ Departments have tightened virus detection controls and limited the number of viruses that can enter the County systems.

Significant Issues:

1. A countywide virus detection policy is being developed but has not been finalized and communicated to County departments. Many departments do not have specific anti-virus procedures related to the department’s operations.
2. System users have the ability to modify or disable virus detection software from their workstations.
3. Virus detection software has not been installed on some servers that support major business operations.

Constables

March 2001



Constables are elected officials who serve four-year terms. Their primary duty is to attend to the Justice Court in their precinct and serve papers on behalf of the Court. Maricopa County has 23 Justice Courts and a constable represents each one. Constables are required by ARS to complete a Civil Process training class provided by the Arizona Peace Officer Standards and Training Board (AzPOST). Constables are also defined as peace officers and subject to an ARS mandate that states no person may exercise the authority, or perform the duties, of a peace officer unless AzPOST certified.

Summary Data	
Recommendations / #Accepted	23/23
Recommendations Implemented (As of 8/01)	4
Economic Impact	\$4,880
Cost of Audit (\$51,728 + IS \$5,220)	\$56,948
Other Improvements	<ul style="list-style-type: none"> ➤ Stronger enforcement of ARS, AzPost, and County policy weapons requirements. ➤ More accurate and timely remitting/posting of constable fees. ➤ Improved controls over County overnight use vehicle permits. ➤ Reduced financial/legal liability resulting from non-AzPost certified persons carrying weapons, improper constable identification, and incomplete work activity records. ➤ Improved controls over constables and justice court revenues; greater potential for increase.

Significant Issues:

1. Ten constables who carry guns while performing their job duties are not certified by the Arizona Peace Officer Standards and Training Board, as mandated by law.
2. Several constables carry misleading "POLICE" identification cards, which expose both the County and the constables to legal liability.
3. Some constables could not verify their completion of required civil process training classes; others do not maintain adequate records of work activities.
4. Maximum allowable fees are not always charged for civil processes served.
5. Over 20 percent of constables' cellular phone charges are for non-business purposes. These costs have not been reimbursed to the County, as required.
6. 100 County fixed assets (vehicles, computers, radios, etc.) assigned to constables have not been recorded on the County's fixed asset listing.

Contract: Fire Extinguisher (Johnson Controls, Inc.) January 2001

Maricopa County contracted with Johnson Controls, Inc. in November 1997 to service, maintain, and test fire extinguishers, sprinkler systems, and main drain valves in County owned buildings. These services are required to meet National Fire Protection Association (NFPA) guidelines. The Board of Supervisors approved the original three-year contract for \$700,000. The Board authorized a \$99,000 expenditure increase in June 2000.



Summary Data	
Recommendations / #Accepted	2/2
Recommendations Implemented (As of 8/01)	1
Economic Impact	N/A
Cost of Audit	\$8,268
Other Improvements	<ul style="list-style-type: none"> ➤ DOF and Materials Management are developing controls and procedures to accurately reflect expenditures against a particular contract. This information will allow the County to more accurately estimate future contract expenditures and provide vendors with information in order to generate more competition for County contracts. ➤ Increased ability to determine how much has been spent against specific contract allowing departments to better budget expenses and determine the need for contract amendments.

Significant Issues:

1. Vendor(s) will be required to submit work tickets within one week after completing services, rather than at month end.
2. Maintenance and repair services are more clearly defined.
3. Quarterly maintenance work payments will be equally spread over the three months, even if most of the work is completed within the first month.
4. Vendors may bid at higher rates for future contracts because the County's estimated expenditure level is understated.
5. Some vendors may not submit contract bids; the amount of business may appear to be too small. This will reduce competition and increase County costs.

Contract: Mail Services (Pitney Bowes, Inc) August 2000



Maricopa County established a five-year contract with Pitney Bowes, Inc. in July 1996 to provide mailroom operations and mail delivery to County facilities at an average yearly cost of \$168,000. Since approving the original contract, the Board of Supervisors has also authorized the following amendments:

- December 1996
Provision of specialized services for the Records office at an annual cost of \$228,000.
- June 1997
Add three new County departments to the contract at an annual cost not to exceed \$600,000.

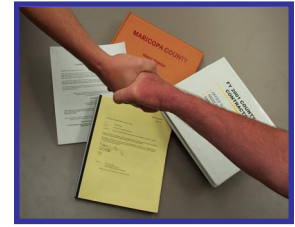
The main mailroom is located on the first floor of the County Administration Building. The office processes approximately 20,000 pieces of outgoing U.S. mail each day and approximately 8,000 pieces of interdepartmental mail each week. During the period of July 1, 1998 through March 31, 2000, the County paid Pitney Bowes approximately \$1.4 million for mail services and postage.

Summary Data	
Recommendations / #Accepted	3/3
Recommendations Implemented (As of 8/01)	3
Economic Impact	N/A
Cost of Audit	\$9,990
Other Improvements	<ul style="list-style-type: none">➤ Improved controls over contractor billings/payment process.➤ Improved monitoring of contractor performance and compliance with contract requirements.

Significant Issues:

1. Pitney Bowes is effectively performing mail services activities in overall compliance with contract requirements. Annual customer satisfaction surveys indicate that County user departments are satisfied with the contractor's services.
2. Our review of \$348,000 of County payments made to Pitney Bowes found no exceptions to contract provisions. However, the Materials Management Department does not adequately review the contractor's billings to ensure compliance with contract payment terms.
3. The Materials Management Department has not closely monitored the contractor's performance and compliance with contract requirements, which exposes the County to possible financial risk and contractor abuse and fraud.

Control Self Assessment (CSA) Contract Management Classes August 2001



During May and June 2001, the Maricopa County Internal Audit and Materials Management departments jointly conducted five contract management training workshops. The purpose of the seminars was to help departments assess and improve their contract management controls.

More than ninety percent of the persons who attended the training seminar rated the class as “very good” or “good” against all of the following criteria:

The training received will improve departmental contract management controls.

The training will help them to do a better job.

Participant’s contract management knowledge and or skills increased as a result of taking the class.

The Self-Assessment process is good for County departments.

Summary Data	
Recommendations / #Accepted	N/A
Recommendations Implemented (As of 8/01)	N/A
Economic Impact	\$2,415
Cost of Audit	\$18,179
Other Improvements	<ul style="list-style-type: none"> ➤ 94 County employees improved their contract management and monitoring skills. ➤ 34 County departments benefited by having their employees attend this workshop. ➤ 18 departments submitted corrective action plans containing procedures for improving controls over contract management activities.

Significant Issues:

To date, eighteen departments have submitted corrective action plans that contain twenty new or enhanced methods to strengthen their contract management controls. One participant reported that a control improvement, implemented as a result of taking the class, saved the County \$2,415 during the next month.

Elected Official Exit Review

March 2001



The Internal Audit Department conducts Entrance/Exit reviews each election year to help ensure a smooth transition between incoming and outgoing elected officials. The reviews benefit both the incoming and outgoing elected officials by ensuring physical assets and office records are accounted for and adequately safeguarded.

Entrance/Exit reviews are limited scope engagements. The objective is to ensure fixed assets, cash and change funds, bank accounts, and physical security items such as keys and combinations, are accounted for and passed intact to the newly elected official. The reviews are planned and executed within each County office for which a new official is elected. Offices where the incumbent is re-elected are not reviewed. The November 2000 election caused limited turnover of the County's elected officials. Three Justice Court Justices of the Peace and five Constables were elected for the first time.

Summary Data	
Recommendations / #Accepted	4/4
Recommendations Implemented (As of 8/01)	2
Economic Impact	N/A
Cost of Audit	\$13,091
Other Improvements	Improved controls / procedures over cash security, bank reconciliations, outstanding bonds, and fixed assets.

Significant Issues:

We found no major issues that would affect the newly elected Justices in assuming their offices.

Emergency Management

December 2000



The Maricopa County Department of Emergency Management (MCEM) was originally established in 1953 as the Civil Defense and Disaster Organization, a joint city-county agency, through resolutions adopted by the Maricopa County Board of Supervisors (Board) and the Phoenix City Council. The department was created under authority granted by the Arizona Civil Defense Act of 1951.

MCEM activities are governed by several regulations established by the Federal Emergency Management Agency (FEMA), State of Arizona, Nuclear Regulatory Commission, and the County. The County's emergency operations are coordinated through the Emergency Operations Center, which is staffed by MCEM personnel and other County agencies. The department has also established formal partnerships, through Intergovernmental Agreements (IGA), with twenty-four local municipalities.

Summary Data	
Recommendations / #Accepted	6/6
Recommendations Implemented (As of 8/01)	3
Economic Impact	N/A
Cost of Audit (\$31,535 + IS \$2,067)	\$33,602
Other Improvements	<ul style="list-style-type: none"> ➤ Independent verification that county would not incur material legal or financial liable if cities' emergency plans are found to be inadequate. ➤ Improved security controls over the department's information system. ➤ Development of information system disaster recovery plan. ➤ Improved controls over the review and approval of information system service billings.

Significant Issues:

1. MCEM allows unauthorized access to important data and confidential information.
2. Potential destruction and/or unauthorized changes to data. MCEM has not developed a documented and tested disaster recovery plan. MCEM does not have assurance that the department can timely recover its major system if a disaster were to occur. Due to the nature of the department's business, any interruptions to service may increase the County's liability risk.
3. Our review of the IGA's that MCEM has established with 24 local cities and towns found no restrictions to the use of \$187,000 in revenue during FY 1999-2000. ARS and applicable Federal regulations also do not stipulate any County requirements in the use of these funds.

Financial Condition Report FY 2000

August 2001



The Financial Condition Report annually assesses Maricopa County's financial condition. The report displays Maricopa County's financial ten-year trends and compares these trends to ten western U.S. counties' trend averages. Internal Audit received a NACO award in 2001 for this report.

The report has highlighted information that led to financial error discovery. In one case, discovery resulted in the County recovering \$8 million of shared revenues that had been incorrectly distributed to local cities. Although the report focuses on General Fund analysis, it also features Maricopa Integrated Health System trends. Bond rating upgrades reflect the generally positive trend of Maricopa County's financial condition documented in this report.

Summary Data	
Recommendations / #Accepted	N/A
Recommendations Implemented (As of 8/01)	N/A
Economic Impact	\$2,707,200
Cost of Audit	\$48,760
Other Improvements	<ul style="list-style-type: none"> ➤ Provides a 10-year graphical, user-friendly comparative analysis of key financial indicators. ➤ Provides a meaningful tool to compare Maricopa County with 10 similar counties located in the Western U.S. ➤ The annual Financial Condition Report helps the Board to annually gauge the fiscal health of the County. The Financial Condition Report is the County's premier "watchdog" report for the County's overall fiscal health. ➤ Increases accountability to citizens.

Significant Issues:

1. The County's reliance on sales tax revenue increases its exposure to potential economic declines associated with retail cycles and untaxed Internet commerce. (Sales tax revenues make up 46% of FY00 General Fund revenues, a 28% increase over FY91.)
2. Maricopa County's long term per capita debt position is significantly lower than those of selected national and Arizona benchmarks.

Human Services

September 2001



HSD's mission is to help individuals, children, and families enhance their economic, social and physical well being. HSD operates through the powers granted to the Board of Supervisors and through various Federal grant statutes. Each of the primary programs of operation is considered discretionary. There are no specific state statutes mandating any of the programs. However, Maricopa County has a long history of providing these "safety net" services. Our scope focused on grant, contract, and fixed asset management, vehicle usage, travel and procurement controls, and information systems.

Summary Data	
Recommendations / #Accepted	19/19
Recommendations Implemented (As of 8/01)	9
Economic Impact	\$200,000
Cost of Audit (\$43,407 internal + \$33,050 external + IS \$21,704)	\$98,161
Other Improvements	<ul style="list-style-type: none"> ➤ Track and document Head Start volunteers background check procedures. ➤ Develop a standardized form and set of procedures to adequately track and review vehicle usage on a regular basis. ➤ Retrain its employees on County Vehicle Use Policies and Procedures. ➤ Log and track all program changes to ensure proper authorization, testing and approval. ➤ Force password changes as least every 60 days. ➤ Ensure proper segregation of duties among programmers and technical staff.

Significant Issues:

1. Efforts to manage and monitor the Work Links program need to be strengthened. Overcharges in excess of \$200,00 may have occurred during fiscal year 2001.
2. Controls relating to background checks for Head Start program volunteers need to be strengthened. Weaknesses in this area present a safety risk to participants and expose the County to liability.
3. General controls that affect the security, integrity, and availability of HSD systems need to be strengthened. These weaknesses expose the department and County to legal and financial risk.

Internet Network Security

May 2001



The Maricopa County Chief Information Office (CIO) provides information technology services and support to County departments. The Department of Telecommunications, within the CIO's Office, develops and maintains the security infrastructure for these County departments' networks. This includes, but is not limited to: the checkpoint firewall, routers, remote access, and web servers. Many other County offices, such as the Sheriff, Recorder, and Flood Control District, develop and maintain their own web servers. These offices are responsible for providing security over those systems. While the Department of Telecommunications provides guidance regarding best security practices, individual departments are ultimately responsible for securing their own systems.

Summary Data	
Recommendations / #Accepted	155/155
Recommendations Implemented (As of 8/01)	110
Economic Impact	\$80,000 per event
Cost of Audit (\$19,875 internal + \$73,070 external)	\$92,945
Other Improvements	Almost 200 network related vulnerabilities were identified during the audit. Many of these vulnerabilities are considered high-risk and expose the County to hacker attacks and other unauthorized intrusions.

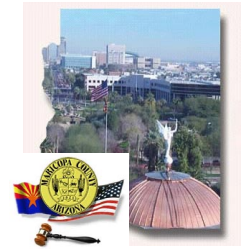
Significant Issues:

1. Maricopa County's network configuration model differs from the best practice model. Connections that originate from external networks (particularly the Internet) directly into the internal network puts all internal County networks and systems at risk.
2. Numerous vulnerabilities were identified that could allow unauthorized access into County networks from outside the County. For example, the County Recorder's Office has a proxy server that is not firewall protected or properly configured and has a backdoor connection into the County network. This presents a significant exposure to the County.
3. The County provides Internet connection for the City of Glendale and the Regional Public Transportation Authority (RPTA). Because of weak system security practices by the entities, the County's network is at risk of compromise.
4. System and security patches are not applied timely or consistently to County networks. In addition, several unsecured dial-up modem connections may allow unauthorized access into the County network.

Justice Courts – Accounting Review

June 2001

The Minimum Accounting Standards (MAS) review is an agreed-upon procedures engagement in which an independent accountant performs standard audit procedures set forth by the Administrative Office of the Arizona Supreme Court (AOC). MAS reviews are performed on a three-year cycle. The purpose of the MAS review is to ensure that Maricopa County courts have maintained effective internal control procedures over the court's financial accounting and reporting systems.



The Arizona State Office of the Auditor General informed the courts in 1998 that its office would no longer be responsible for performing MAS reviews at the County level. The function was transferred to the Maricopa County Internal Audit Department beginning in FY 1998-99.

Summary Data	
Recommendations / #Accepted	68/ N/A
Recommendations Implemented (As of 8/01)	N/A
Economic Impact	\$6,855
Cost of Audit	\$29,097
Other Improvements	Old bonds can be transferred to the General Fund, per statute.

Significant Issues:

Our examination of the eight justice courts' financial procedures and practices shows that all comply with most of the 58 MAS requirements as adopted by the AOC. Some exceptions to the MAS Compliance Checklist were found during our review.

Justice Facilities

July 2001



Maricopa County voters approved Propositions 400 and 401 in November 1998. These propositions authorize a \$0.002 excise tax to be used by the County to design, construct, and operate new jail facilities. The tax is authorized for nine years or until \$900 million is collected.

The Jail Tax, which took effect January 1, 1999, is designated for new adult and juvenile detention facilities and to fund programs aimed at reducing the overall jail population. The construction portion of the project is \$513 million. Voters approved the temporary sales tax with the provision that funds be used solely for justice facilities and related costs. The monies and property "... shall be used for the purpose of purchasing land, and purchasing and constructing buildings or improvements, for County Jails."

Summary Data	
Recommendations / #Accepted	1/1
Recommendations Implemented (As of 8/01)	1
Economic Impact	N/A
Cost of Audit	\$4,531
Other Improvements	Assurance that Justice Facilities Development Department has developed and is utilizing strong controls over Jail Tax expenditures.

Significant Issues:

1. CJFDD has established internal controls over Jail Tax revenues to ensure that the capital projects fund is used only for the purposes authorized by Proposition 400.
2. We examined 23 contract payments (\$10.2 million total) and 34 change orders (\$11.9 million total) and found no exceptions to the requirements set by Proposition 400, the Maricopa County Procurement Code, and contract provisions.

Legal Defender

November 2000



The Office of the Legal Defender (OLD) was created in 1995 under the auspices of the current Legal Defender. The purpose of OLD is to provide the County with an alternate indigent defense office that can render effective services while efficiently handling a growing caseload.

Prior to the creation of OLD, defendants, who could not be represented by the Public Defender due to resource limitations or conflict of interest reasons, were diverted to private counsel. Private attorneys, who serve the County under the direction of the Office of Contract Counsel (OCC), are expensive. The ability to assign conflict and overflow cases to another County office allows the County to significantly reduce its overall indigent defense costs. During Fiscal Year (FY) 1999-2000, OLD represented the County's indigent population in almost 4,000 court cases.

Summary Data	
Recommendations / #Accepted	8/8
Recommendations Implemented (As of 8/01)	6
Economic Impact	N/A
Cost of Audit (\$38,796 + IS \$8,427)	\$47,223
Other Improvements	<ul style="list-style-type: none"> ➤ Improved internal control in three separate areas: payroll processing, client trust funds, and fixed asset tracking. ➤ Identified need for department-wide tracking of attorney caseload and activities.

Significant Issues:

1. Caseload management could be enhanced through the use of software that supports flexible graphics and department-wide reporting.
2. Internal controls could be strengthened through procedural changes concerning the client trust fund, payroll processing, and fixed asset tracking.

Library District

November 2000

The Maricopa County Library District (MCLD) was created in accordance with the County Free Library District law that gave counties authority to create library districts and assess a separate secondary property tax to fund the district's operations. MCLD currently operates two regional libraries, ten branches, and three bookmobiles to serve urban and rural County residents. The Maricopa County Board of Supervisors (Board) serves as MCLD's Board of Directors.



Summary Data	
Recommendations / #Accepted	13/13
Recommendations Implemented (As of 8/01)	2
Economic Impact	N/A
Cost of Audit (\$35,245 + IS \$8,692)	\$43,937
Other Improvements	<ul style="list-style-type: none"> ➤ More timely Library District IGA renewals and amendments. ➤ Improved Information System security controls. ➤ Improved controls over payroll and change funds. ➤ Better usage of performance measures. ➤ Better benchmarking of Library District's performance.

Significant Issues:

1. Access security controls over MCLD automated systems are weak. These control weaknesses diminish the reliability of data, increase security risks, and may result in computer service interruptions.
2. MCLD does not report its performance in measures that can be used to make meaningful comparisons, internally or with other libraries. Without complete and meaningful performance data, the district is unable to accurately determine the effectiveness of its operations and programs.
3. MCLD operates in overall compliance with applicable County administrative requirements. Some control weaknesses were identified that expose the district to financial risk.

Maryvale Justice Court Cash Shortage

August 2001



Internal Audit was asked to review the results of an investigation conducted by Justice Court Services. The investigation was related to fourteen missing bank deposits. The outstanding deposits total \$18,189. Justice Court Services' corrective actions for physical security and reconciliation weaknesses appear to be appropriate. However, we also recommend Justice Court Services implement controls to ensure segregation of duties over making bank deposits and performing the bank reconciliation.

Summary Data	
Recommendations / #Accepted	3/2
Recommendations Implemented (As of 8/01)	2
Economic Impact	\$0
Cost of Audit	\$901
Other Improvements	<p>Based on discussions with Justice Court personnel, and review of limited Justice Court records and other documentation, Internal Audit believes Justice Court Services has:</p> <ul style="list-style-type: none"> ➤ Determined the control weaknesses that allowed the situation to occur ➤ Examined related potential risks, and ➤ Included appropriate procedures in the scope of their examination. ➤ Overall, our review provided the intangible service of reviewing and validating the investigation conducted by Justice Court Services.

Significant Issues:

Overall, our review provided the intangible service of reviewing and validating the investigation conducted by Justice Court Services.

MCDOT Consultant Contracts

July 2001



We completed five cost audits of consultant contracts with the Maricopa County Department of Transportation (MCDOT) for fiscal years 1993 through 1997. We performed the audits at the request of MCDOT in order to comply with federal funding requirements and in accordance with the annual audit plan approved by the Board of Supervisors.

Summary Data	
Recommendations / #Accepted	N/A
Recommendations Implemented (As of 8/01)	N/A
Economic Impact	\$34,872
Cost of Audit (Internal, no IS or external costs)	\$56,215
Other Improvements	<ul style="list-style-type: none"> ➤ Identified questioned costs, primarily related to cost documentation the consultant could not provide. ➤ Internal Audit provided audit services to MCDOT at rates substantially below external CPA firm rates. ADOT was not able to set aside time to perform the audits (as originally planned) and a CPA firm would have been engaged if we had not provided the audit services.

Significant Issues:

1. The total consultants' cost associated with the five audits is \$1,055,240. We have questioned costs totaling \$11,957, representing 1.1% of the total billings. The questioned costs generally represent charges for which the consultants did not provide sufficient supporting documentation. MCDOT will contact the consultants for appropriate resolution of the questioned costs.
2. For one of the five audits, we were not able to issue an opinion that the Schedule of Claimant's Costs fairly states the allowable costs of the contract because the consultant did not locate sufficient supporting documentation for items we tested. We reported these undocumented charges as Questioned Costs.

MIHS Clinics / Family Health Centers

July 2001



An independent auditing firm performed a review of the Maricopa Integrated Health System (MIHS) Family Health Centers (FHC). The scope was limited to the following specific areas: Charge Entry and Capture, Charge Documentation, Compliance with Medicare Documentation Requirements, Patient Registration, Current Contracts, and Charge Reconciliation.

Summary Data	
Recommendations / #Accepted	16/16
Recommendations Implemented (As of 8/01)	0
Economic Impact	\$290,457
Cost of Audit (\$13,462 internal + \$90,000 external)	\$103,462
Other Improvements	<ul style="list-style-type: none"> ➤ Reduce the potential for lost Medicare revenues by correctly and systematically processing Advance Beneficiary Notices. ➤ Reduce the risk of lost, unbilled, or incorrectly billed revenues by requiring charge reconciliation processes in all clinics, by making sure charges are properly documented and accessible, and by improving medical record coding. ➤ Reducing unbilled services that results from misunderstandings of compliance and regulatory issues by providing education and new policies to ensure the proper capture of facility charges.

Significant Issues:

1. Testing showed that MIHS lost the ability to bill patients for \$15,000 of “Medicare denied claims” because MIHS had not notified patients of potential billing liability via appropriate forms.
2. Only five of the twelve FHCs performed detailed reconciliations to ensure that all patient charges are recorded, reasonable, and supported by encounter documentation. This lack of charge reconciliation may result in lost, unbilled, or incorrectly billed charges.
3. The Comprehensive Healthcare Center’s Business Operations Director estimates unbilled services to be one million dollars. This lack of billing is due to potential misunderstandings of compliance and regulatory issues. According to the Director, the Billing Office is currently researching and submitting claims for reimbursement of these previously unbilled fees.

MIHS IRG Incentive Payments

April 2001



Maricopa Integrated Health System (MIHS) is comprised of Maricopa Medical Center (MMC) and the Maricopa County health plans (AHCCCS, ALTCS, Health Select, and Senior Select). In accordance with the June 1999 MIHS management contract and related amendments, Maricopa County pays Quorum's Intensive Research Group (IRG) a monthly base management fee and potential incentives. The potential incentive payments are based upon financial performance targets specified in the IRG agreement. In response to a request from County management, Internal Audit engaged an external firm to perform a limited review of 3 incentive payments made to IRG for FY00.

Performance Measures	
Recommendations / #Accepted	3/3
Recommendations Implemented (As of 8/01)	0
Economic Impact	N/A
Cost of Audit (\$5,247 internal + \$33,803 external)	\$39,050
Other Improvements	In connection with their review, the auditors noted several weaknesses in the language and administration of the IRG contract. MIHS concurred with 3 of 4 recommendations related to administrative weaknesses and contract language. The 4th item was outside of MIHS' control but will be potentially useful in future instances where Health Select and Senior Select health plans affect incentive payments.

Significant Issues:

The Special Limited Review provided County Management with assurance that incentive payments to IRG were appropriate.

MIHS Maricopa Health Plan AHCCCS

January 2001



Maricopa Integrated Health System (MIHS) is comprised of Maricopa Medical Center (MMC) and the Maricopa County health plans (AHCCCS, ALTCS, Health Select, and Senior Select). The Arizona Health Care Cost Containment System (AHCCCS) is Arizona's Medicaid program, which also functions as Arizona's program for persons who do not qualify for Medicaid. AHCCCS contracts with health plans, such as Maricopa Health Plan (MHP), to manage the program. The program emphasizes cost containment through preventative care, rather than emergency care.

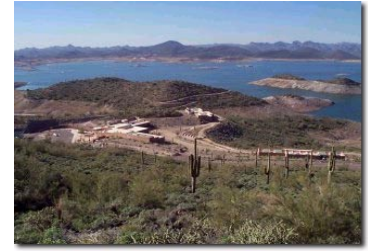
Performance Measures	
Recommendations / #Accepted	8/8
Recommendations Implemented (As of 8/01)	6
Economic Impact	0
Cost of Audit (\$65,031 internal + \$9,892 external)	\$74,923
Other Improvements	<ul style="list-style-type: none"> ➤ Identified Medically Needy/Medically Indigent as a category that caused MHP losses (MHP originally asserted that this was not a "loss" category, but data showed otherwise.) ➤ Identified that only 48% of MHP's providers are capitated, and 33% are costly non-contracted. MHP had not been aware of the percentage of non-contracted providers they used. Contracting with a larger percent of providers should produce substantial savings for MHP. (Hundreds of thousands, if not millions.)

Significant Issues:

1. MHP is projecting small profit margins for FY00 through FY02 on a stand-alone basis. MHP should analyze the cost-benefits of continuing the MHP program by considering the financial impact on other health care system components.
2. Between 1994 and 2000, MHP's enrollment numbers declined by 25% and its market share declined by 4.4%. Enrollment began to rise during 1999 and 2000.
3. MHP has set its capitation rates lower than competing plans in several cases, negatively impacting revenue per member, in order to gain enrollment. Care must be given to ensure that capitation rates provide for adequate margins.
4. MHP utilizes a significant number (33%) of non-contracted providers, which negates some of the advantages of using contracted providers. MHP should implement procedures to increase its members' usage of County facilities, or other contracted providers, in order to reduce its financial risk.

Parks and Recreation

June 2001



The Maricopa County Parks and Recreation Department (MCPR) operates the nation's largest county park system with ten regional parks covering over 117,000 acres. The County leased 80,000 acres of land from the Federal Government, free of cost, through the U.S. Bureau of Land Reclamation's Recreation and Public Purpose Act. Two Maricopa County parks are located in bordering counties; the Santan Regional Park (Pinal County) and the Lake Pleasant Park (partially located in Yavapai County). Intergovernmental agreements (IGA) have been established with both counties

Summary Data	
Recommendations / #Accepted	20/19
Recommendations Implemented (As of 8/01)	1
Economic Impact	\$678,197
Cost of Audit (\$73,352 + IS \$9,726)	\$83,078
Other Improvements	<ul style="list-style-type: none"> ➤ Improved compliance with Lake Pleasant Management Agreement requirements. ➤ Improved management controls contracts, vendor permits, non-profit organization agreements, and golf course concessionaire agreements. ➤ Better compliance with controls relating to County IS policy requirements.

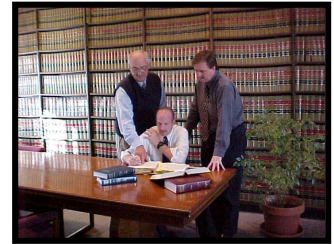
Significant Issues:

1. MCPR and the Maricopa County Sheriff's Office provide law enforcement services at Lake Pleasant Park for \$488,000 annually. The City of Peoria, whose jurisdiction extends to the Park, does not these services.
2. A written agreement between Maricopa County and another Arizona county is outdated and is no longer applicable. Terminating the agreement would save the County more than \$50,000 annually.
3. MCPR has not submitted annual financial expenditure reports to the U.S. Bureau of Reclamation as required. As a result, the County has not recovered approximately \$130,000.
4. MCPR does not comply with some other significant requirements of its agreement with the Bureau of Reclamation, which exposes the County to millions of dollars of potential financial risk.
5. MCPR does not adequately monitor its golf course concessionaires' performance or compliance with contract requirements, which increases the County's financial and legal risks. The department also does not effectively monitor/enforce contract requirements with other non-profit organizations.

Public Defender

January 2001

The Maricopa County's Public Defender's Office (PD) was established in 1965, as a result of the Supreme Court decision. PD provides indigent individuals with an effective option for legal representation. The PD is the first office assigned to an indigent case, based upon a financial determination process administered by the courts. Defendants who can not be represented by PD, due to resource limitations or conflicts of interest, are diverted to the Office of Legal Defender (OLD), Office of Contract Counsel (OCC), or Office of Legal Advocate (OLA). Together these offices make up the County's Indigent Representation function. The PD consists of over 400 employees, including 226 attorneys.



Summary Data	
Recommendations / #Accepted	11/11
Recommendations Implemented (As of 8/01)	0
Economic Impact	\$0
Cost of Audit (\$36,252 + IS \$5,300)	\$41,552
Other Improvements	<ul style="list-style-type: none"> ➤ Improved payroll reconciliation, fixed asset tracking, and expense payment processes that will result in strengthened internal controls. ➤ Highlighted areas of concern with the administration of the Client Trust Fund. Made recommendations to streamline the administration of this fund. ➤ Identified unclaimed funds that are subject to the state's abandoned property regulations.

Significant Issues:

1. Caseload data available from the PD's case tracking system is inaccurate, due primarily to time delays from information received from Superior Court. The data available from the system does not provide sufficient detail to effectively assign and balance caseload among attorneys. National Legal Aid & Defender Association guidelines state that attorneys should ensure that they have sufficient time, resources, knowledge, and experience to provide quality representation.
2. PD effectively manages its administrative functions and operations, including payroll processing, grant funding, fixed asset tracking, employee travel and training expenses, and transcription expenses. However, certain internal controls could be strengthened.
3. PD maintains a trust fund account on behalf of clients. Funds from office personnel were co-mingled with the trust fund and used to pay for non-client related expenditures. The PD office was aware of these occurrences and discontinued the practice in December 1997.

Public Health

May 2001



The Department of Public Health (DPH) is concerned with preventing and controlling diseases and promoting good health through community efforts. DPH provides clinical health services in instances where treating infected individuals is the best way to control the spread of disease to others. DPH's statutory mandated requirements are summarized below:

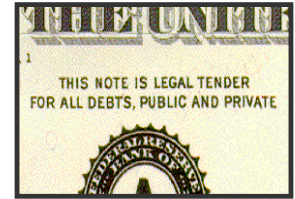
- Maintain and operate a system of vital records and public health statistics in conjunction with the statewide system.
- Coordinate prevention, detection, and early intervention for communicable diseases.
- Provide immunizations to school-age children.
- Issue annual reports evaluating the health status of the population.

Summary Data	
Recommendations / #Accepted	19/17
Recommendations Implemented (As of 8/01)	10
Economic Impact	\$8,000
Cost of Audit (\$35,192 internal + \$49,955 external + IS \$27,759)	\$112,906
Other Improvements	<ul style="list-style-type: none"> ➤ Formalized billings / remittance reconciliation processes to ensure collection of all billings. ➤ Improved control over inventory returns and refunds through separation of duties. ➤ Implemented a perpetual inventory system for improved monitoring and management of drugs. ➤ Implemented procedures to ensure timely reimbursements of grant expenditures. ➤ Improved operating system security.

Significant Issues:

1. DPH does not routinely reconcile Pharmacy billings and drug returns with cash remittances and vendor credits.
2. The lack of a perpetual inventory system at the Pharmacy weakens accountability for drugs.
3. DPH does not have a comprehensive contingency plan to recover critical operations in the event of a disaster.

Random Cash August 2001



We completed random cash count audits at the following locations:

- Human Resources Department
- Flood Control District
- Maricopa Integrated Health System.

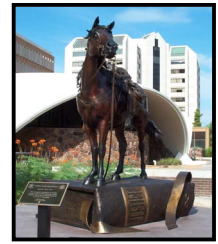
Summary Data	
Recommendations / #Accepted	8/8
Recommendations Implemented (As of 8/01)	4
Economic Impact	\$0
Cost of Audit	\$10,310
Other Improvements	Audit highlighted several high-risk weaknesses in Human Resources; a medium risk weakness at MIHS; and three relatively low-risk weaknesses at Flood Control District.

Significant Issues:

We found no exceptions to physical counts of cash and checks during our testing procedures. Certain control weaknesses were identified.

Sheriff's Office

August 2001



The Maricopa County Sheriff's Office (MCSO) enforces Arizona's criminal, traffic, environmental, and civil laws. The office ensures public safety by performing patrol activities, investigations, and special services mandated by ARS 11-441. MCSO provides law enforcement services for the unincorporated areas of the County and six local cities that have contracted with the office.

Summary Data	
Recommendations / #Accepted	35/35
Recommendations Implemented (As of 8/01)	3
Economic Impact	\$1,354,000
Cost of Audit (\$74,147+ IS internal \$11,610 + IS external \$34,740)	\$120,497
Other Improvements	<ul style="list-style-type: none"> ➤ Improved cooperation between MCSO and following offices: CHS, DOF, and County Attorney. ➤ Improved MCSO controls over IGA's and compliance with ARS/County policy requirements. ➤ Updated MCSO work procedures and internal policies. ➤ Closer reviews of jail health services claims (Correctional Health Services). ➤ Initiation of independent review of MCSO jail per diem charges. ➤ Improve controls, security, and utilization over confidential data and systems.

Significant Issues:

1. MCSO has not established formal agreements with many of the agencies for which the department provides detention and law enforcement services, as required by law. Together with other administrative and financial control weaknesses identified, this situation exposes the County to financial risk.
2. MCSO is owed \$1.1million from six governmental agencies having eight delinquent accounts. Seven of the accounts had no reductions in the past fiscal year.
3. MCSO has not established an information technology strategic plan or steering committee. The strategic plan and steering committee will help ensure information technology projects are properly authorized, controlled, and meet MCSO business objectives.

Sheriff's Office – Special Request Compliance with Budget Agreement January 2001



The Office of Management and Budget (OMB) and MCSO (Maricopa County Sheriff's Office) signed a FY2000-01 Budget Agreement dated April 27, 2000. OMB agreed to support MCSO's increased funding of \$673,000 for gasoline and \$500,000 for the office's Aviation fund, subject to certain conditions. MCSO would consent to a full review of all individual MCSO vehicles, submit information necessary to validate its Aviation Fund revenues and expenditures, and demonstrate how all expenses associated with the Aviation Fund are accounted for. MCSO did not provide OMB with the information needed to satisfy the terms of the budget agreement. As a result, County management requested an Internal Audit review in August 2000, which the Board of Supervisors approved on September 5, 2000.

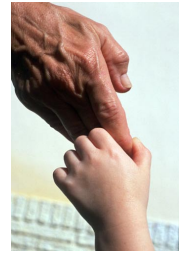
Summary Data	
Recommendations / #Accepted	4/4
Recommendations Implemented (As of 8/01)	N/A
Economic Impact	\$450,000
Cost of Audit (\$7,685 internal + \$29,690 external)	\$37,375
Other Improvements	<p>MCSO to:</p> <ul style="list-style-type: none"> ➤ Review its policy on administrative and overnight usage vehicles. ➤ Update all fleet and lease inventory and making determinations as to need and usage of those vehicles. ➤ Re-evaluate its Aviation Program, including potential benefits to the taxpayers of Maricopa County. ➤ In early 2001 MCSO turned in approximately 77 cars (value of \$450,000 per year lease cost).

Significant Issues:

1. MCSO could not demonstrate to what extent fuel consumption increases (\$401,000 or 46 % from FY99 to FY00) were caused by expanded service efforts.
2. MCSO could not demonstrate that a 19% in vehicle fleet was due to expanded service efforts or compliance with County policy requirements addressing employees' overnight vehicle usage.
3. Because of MCSO security restrictions, the reviewers could not adequately determine the reasons for MCSO employees' overnight vehicle usage and compliance with County policy requirements.
4. MCSO did not demonstrate that Aviation Fund revenues are sufficient to cover all the expenditures, as required by the budget agreement.

Single Audit

February 2001



Maricopa County receives millions of dollars in federal grant funds each year. A significant amount of the grant dollars is passed on, or through, to cities and charitable or service organizations within the County. These cities and organizations are known as subrecipients. In fiscal year 2000, Maricopa County passed through over \$14 million in federal grant monies to 41 different subrecipients.

Internal Audit is charged with ensuring that each of these subrecipients undergoes a Single Audit, as required by statute.

Summary Data	
Recommendations / #Accepted	N/A
Recommendations Implemented (As of 8/01)	N/A
Economic Impact	\$0
Cost of Audit	\$20,220
Other Improvements	Compliance with Single Audit Act & OMB Circular A-133.

Significant Issues:

For the fiscal year ended June 30, 2000, Internal Audit reviewed Single Audit reports belonging to 39 County subrecipients. In reviewing the 39 reports, we noted no findings that directly affect the County, or specific programs funded by the County. We did note 18 findings within 5 subrecipients that are related to the subrecipients' overall financial controls.

Superior Court

October 2001



The Superior Court of Arizona in Maricopa County (SC) was founded by authority granted by Article six of the Arizona State Constitution. The Superior Court's jurisdiction and operations are established under Arizona Revised Statutes (ARS). SC is a large, urban trial court that serves over three million people living and working in Maricopa County. The court conducts business at three sites including the downtown Phoenix complex, Southeast facility and Juvenile Court Center.

Summary Data	
Recommendations / #Accepted	23/23
Recommendations Implemented (As of 8/01)	0
Economic Impact	\$1,174,600
Cost of Audit (\$35,775 internal + \$31,000 external) + (IS \$13,595 internal + \$38,450 external)	\$118,820
Other Improvements	<ul style="list-style-type: none"> ➤ Identified Countywide opportunity to utilize unused General Fund monies in various warrant clearing accounts. ➤ Postage savings for reduced number of jury warrants mailed. ➤ Improve security over Superior Court's confidential data and systems. ➤ Ensure availability and integrity of Superior Court systems. ➤ Reduce fraud potential by limiting access to Superior Court systems.

Significant Issues:

1. Legislative changes could eliminate or reduce the \$1.2 million the County pays annually to purchase courtroom transcripts.
2. Creation of Juror Donation Program could increase the County General Fund by up to \$700,000 annually.
3. Full-cost billing of Jury Commission expenses to valley cities would increase General Fund revenues by \$40,000 to \$70,000 each year.



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